



TESTIMONY
BEFORE THE SUBCOMMITTEE ON LABOR, HEALTH AND
HUMAN SERVICES, EDUCATION AND RELATED AGENCIES
UNITED STATES SENATE

STATEMENT BY

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SECRETARY

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Good morning, Mr. Chairman, Senator Harkin, and Members of the Committee. I am honored to be here today to present to you the President's FY 2007 Budget for the Department of Health and Human Services (HHS).

Over the past five years, the Department of Health and Human Services has worked to make America healthier and safer. Today, we look forward to building on that record of achievement. For that is what budgets are — investments in the future. The President and I are setting out a hopeful agenda for the upcoming fiscal year, one that strengthens America against potential threats, heeds the call of compassion, follows wise fiscal stewardship and advances our Nation's health.

In his January 31st State of the Union Address, the President stressed that keeping America competitive requires us to be good stewards of tax dollars. I believe that the President's FY 2007 Budget takes important strides forward on national priorities while keeping us on track to cut the deficit in half by 2009. It protects the health of Americans against the threats of both bioterrorism and a possible influenza pandemic; provides care for those most in need; protects life, family and human dignity; enhances the long-term health of our citizens; and improves the human condition around the world. I would like to quickly highlight some key points of this budget.

We are proposing new initiatives, such as expanded Health Information Technology and domestic HIV/AIDS testing and treatment that hold the promise for improving health care for all Americans. We are continuing funding for Presidential initiatives, including Health Centers, Access to Recovery, bioterrorism and pandemic influenza; and we are also maintaining effective programs such as the Indian Health Service, Head Start, and the National Institutes of Health.

We are a Nation at war. That must not be forgotten. We have seen the harm that can be caused by a single anthrax-laced letter and we must be ready to respond to a similar emergency — or something even worse. To this end, the President's Budget calls for a four percent increase in bioterrorism spending in FY 2007. That will bring the total budget up to \$4.4 billion, an increase of \$178 million over last year's level.

This increase will enable us to accomplish a number of important tasks. We will improve our medical surge capacity; increase the medicines and supplies in the Strategic National Stockpile; support a mass casualty care initiative; and promote the advanced development of biodefense countermeasures to a stage of development so they can be considered for procurement under Project BioShield.

We must also continue to prepare against a possible pandemic influenza outbreak. We appreciate your support of \$2.3 billion for the second year of the President's Pandemic Influenza plan in the FY 2006 Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery. It is vital that this funding be allocated in the most effective manner possible to achieve our preparedness goals, including providing pandemic influenza vaccine to every man, woman and child within six months of detection of sustained human-to-human transmission of a bird flu virus; ensuring access to enough antiviral treatment courses sufficient for 25 percent of the U.S. population; and enhancing Federal, state and local as well as international public health infrastructure and preparedness. We also want to work with you to ensure that this funding is appropriated prior to October 1, 2006.

The President's FY 2007 budget also provides more than \$350 million for important ongoing pandemic influenza activities such as safeguarding the Nation's food supply (FDA), global disease surveillance (CDC), and accelerating the development of vaccines, drugs and diagnostics (NIH).

The budget includes a new initiative of \$188 million to fight HIV/AIDS. These funds support the objective of testing for three million additional Americans for HIV/AIDS and providing treatment for those people who are on state waiting lists for AIDS medicine. This initiative will enhance ongoing efforts through HHS that total \$16.7 billion for HIV/AIDS research, prevention, and treatment this year.

The budget maintains the NIH, and includes important increases for important crosscutting initiatives that will move us forward in our battle to treat and prevent disease – \$49 million for the Genes, Environment and Health Initiative and \$113 million for the Director's Roadmap. In addition, it contains an additional \$10 million for the Food and Drug Administration to lead the way forward in the area of personalized medicine and improved drug safety.

One of the most important themes in our budget is that it increases funding for initiatives that are designed to enhance the health of Americans for a long time to come. For instance, the President's Budget calls for an increase of nearly \$60 million in the Health Information Technology Initiative. Among other things, these funds support the development of electronic health records (to help meet President Bush's goal for most Americans to have interoperable electronic health records by 2014); consumer empowerment; chronic care management; and Biosurveillance.

The Budget also includes several initiatives to protect life, family and human dignity. These include, for example, \$100 million in competitive matching grants to States for family formation and healthy marriage activities in TANF. The President's budget also promotes independence and choice for individuals through vouchers that increase access to substance abuse treatment.

In the area of entitlement programs, I want to begin by congratulating you and other Members of Congress for having successfully enacted many needed reforms by passing the Deficit Reduction Act (DRA). DRA supports our commitment to sustainable growth rates in our important Medicare and Medicaid programs. It also strengthens the Child Support Enforcement program. The Deficit Reduction Act also achieves the notable accomplishment of reauthorizing Temporary Assistance for Needy Families (TANF), which has operated under a series of short-term extensions since the program expired in September 2002.

Medicaid has a compassionate goal to which we are committed. Part of our obligation to the beneficiaries of this program is ensuring it remains available well into the future to provide the high-quality care they deserve. With its action on many of our proposals from last year in the Deficit Reduction Act, the Congress has made Medicaid a more sustainable program while improving care for beneficiaries. The President's Budget proposals build on the DRA and include a modest number of legislative proposals, which improve care and will save \$1.5 billion over five years in Medicaid and S-CHIP and several administrative proposals saving \$12.2 billion over five years.

This Administration has also pursued a steady course toward Medicare modernization. In just the past three years, we have brought Medicare into the 21st century by adding a prescription drug benefit and offering beneficiaries more health plan choices.

Medicare's new prescription drug benefit represents the most significant improvement to senior health care benefits in 40 years. CMS has already exceeded the enrollment target with more than 30 million beneficiaries with drug coverage as of April 18, 2006. In addition, almost 6 million Medicare beneficiaries get drug coverage from other sources such as the Department of Veterans Affairs. This brings the total to approximately 35.8 million Medicare beneficiaries who are now receiving prescription drug coverage. In most cases, their coverage is either completely new or much better and much more secure than it was before.

Savings from the prescription drug benefit have been greater than expected. CMS' Office of the Actuary initially estimated beneficiary premiums averaging \$37 per month. Today, however, the average monthly premium is \$25 a month. And in some parts of the country, beneficiaries are seeing premiums of less than \$2 per month. In 2006, the Federal government is projected to spend about 20 percent less per person than first estimated, and over the next five years, payments are projected to be more than ten percent lower than first estimated. So taxpayers will see significant savings and State contributions will be about 25 percent lower over the next decade for beneficiaries who are in both Medicaid and Medicare. All these savings result from the lower expected costs per beneficiary.

Our work to modernize Medicare is not done. Rapid growth in Medicare spending over the long-term will place a substantial burden on future budgets and the economy. The President's FY 2007 Budget includes a package of proposals that will save \$36 billion over 5 years and continue Medicare's steady course toward financial security, higher quality, and greater efficiency.

The bulk of these Medicare savings will come from proposals to adjust yearly payment updates for providers in an effort to recognize and encourage greater productivity. These proposals are consistent with the most recent recommendations of the Medicare Payment Advisory Commission. To ensure more appropriate Medicare payments, the Budget proposes changes to wheelchair and oxygen reimbursement, phase-out of bad debt payments, enhancing Medicare Secondary Payer provisions, and expanding competitive bidding to laboratory services. Building on initial steps in the Medicare Modernization Act, the Budget proposes to broaden the application of reduced premium subsidies for higher income beneficiaries. Finally, the President's Budget proposes to strengthen the Medicare Modernization Act provision that requires Trustees to issue a warning if the share of Medicare funded by general revenue exceeds 45 percent. The Budget would add a failsafe mechanism to protect Medicare's finances in the event that action is not taken to address the Trustees' warning. If legislation to address the Trustees' warning is not enacted, the Budget proposes to require automatic across-the-board cuts in Medicare payments. The Administration's proposal would ensure that action is taken to improve Medicare's sustainability.

President Bush proposes total outlays of nearly \$700 billion for Health and Human Services. That is an increase of more than \$58 billion from 2006, or more than 9.1 percent.

While overall spending will increase, HHS will also make its contribution to keeping America competitive. To meet the President's goal of cutting the deficit in half by 2009, we are decreasing HHS discretionary spending. Our non-emergency request for discretionary budget authority for programs under the jurisdiction of this Subcommittee totals \$61.1 billion, a decrease of \$1.6 billion below FY 2006. The \$2.3 billion for the cost of the next phase of the President's plan to prepare against an influenza pandemic that I discussed earlier is in addition to this amount.

I recognize that every program is important to someone. But we had to make hard choices about well-intentioned programs. I understand that reasonable people can come to different conclusions about which programs are essential and which ones are not. That has been true with every budget I've ever been involved with. It remains true today. There is a tendency to assume that any reduction reflects a lack of caring. But cutting a program does not imply an absence of compassion. When there are fewer resources available, someone

has to decide that it is better to do one thing rather than another, or to put more resources toward one goal instead of another.

Government is very good at working toward some goals, but it is less efficient at pursuing others. Our budget reflects the areas that have the highest pay-off potential.

To meet our goals, we have reduced or eliminated funding for programs whose purposes are duplicative of those addressed in other agencies. One example of this is Rural Health where we have proposed to reduce this program in the Health Resources and Services Administration. The Medicare Modernization Act contained several provisions to support rural health, including increased spending in rural America by \$25 billion over ten years. For example, it increases Medicare Critical Access Hospitals (CAH) payments to 101 percent of costs and broadens eligibility criteria for CAHs. Moreover, recognizing that Congress adopted many of our saving proposals last year, we are continuing to make performance-based reductions.

Our programs can work even more effectively than they do today. We expect to be held accountable for spending the taxpayers' money more efficiently and effectively every year. To assist you, the Administration launched ExpectMore.gov, a website that provides candid information about programs that are successful and programs that fall short, and in both situations, what they are doing to improve their performance next year. I encourage the Members of this Committee and those interested in our programs to visit ExpectMore.gov, see how we are doing, and hold us accountable for improving.

President Bush and I believe that America's best days are still before her. We are confident that we can continue to help Americans become healthier and more hopeful, live longer and better lives. Our FY 2007 budget is forward-looking and reflects that hopeful outlook.

Thank you for the opportunity to testify. I will be happy to answer your questions.